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ALERT: **ADDITIONAL SBA PPP GUIDANCE AND UPDATES**

..... **PREPARED BY**

ZINNER & CO. RECOVERY SPECIALISTS

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Zinner & Co.'s latest publication discuss updates and changes as result of new guidance recently issued. Please refer to our previous COVID-19 related e-books, located in our COVID-19 library, <https://www.zinnerco.com/covid19-ebooks> for additional details and resources on COVID-19 legislation.

NEW GUIDANCE FOR PARTNERSHIPS AND SEASONAL EMPLOYERS

On May 13, the Small Business Administration (SBA) released another Interim Final Rule for the Paycheck Protection Program (PPP).

Some PPP loans were approved for partnerships before additional guidance was issued, and as a result, those businesses may not have received the maximum loan amount for which they were eligible. The rule issued on May 13 allows partnerships who applied for PPP loans, but did not include partner self-employment income in their original loan amount, to go back to their lender and get an additional disbursement.

According to Interim Final Rule:

- If your partnership received a PPP loan and only included employee wages in the calculation of payroll costs, but did not include any amount for partner self-employment income, the lender may electronically submit a request through the SBA's E-Tran Servicing site, to increase the PPP loan amount to include appropriate partner compensation even if the loan has been fully disbursed.
- You can only increase the amount of the loan if the lender's first SBA Form 1502 report to SBA on the PPP loan has not been submitted. Lenders are required to submit this form on a monthly basis to the SBA. Only your bank can tell you if the form has been submitted. After the initial SBA Form 1502 has been submitted, or after the date it was required to be submitted, the loan cannot be increased.
- The SBA extended the deadline for submission of the initial SBA Form 1502 from May 18, 2020 to May 22, 2020.
- The limit for self-employment income of general active partners, which may be reported as payroll cost on a PPP loan application, is up to \$100,000, annualized. This equates to a maximum increase of \$20,833, per eligible partner, to the PPP loan.

The Interim Final Rule released also allows seasonal employers to apply for an increased loan amount if they received a PPP loan prior to the alternative criterion. As per the Rule, a seasonal employer may alternatively elect to determine its maximum loan amount as the average total monthly payments for payroll during any consecutive 12-week period between May 1, 2019 and Sept. 15, 2019. If the alternative criterion would allow for a higher loan amount, the seasonal employer may be able to apply for additional funding; however, as is the case for partnerships, this is only available if the lender has not submitted SBA Form 1502.

If you are eligible for additional loan proceeds, you need to act fast and contact your lender as soon as possible.

LOAN FORGIVENESS

The SBA recently released much-awaited guidance on how borrowers can claim forgiveness of their PPP loans.

The SBA's Loan Forgiveness Application provides detailed instructions for borrowers and the calculation of the PPP loan forgiveness. A borrower must request loan forgiveness by filing SBA Form 3508 – Paycheck Protection Program Loan Forgiveness Application.

The application has four components:

1. PPP Loan Forgiveness Calculation Form
2. PPP Schedule A
3. PPP Schedule A Worksheet
4. PPP Borrower Demographic Information Form (Optional)

Borrowers must submit the first two items to their lender. If your company (along with your affiliates) received over \$2 million of PPP funds, you must check a box alerting the SBA to the size of the aggregate loan. This provision flags PPP loans the Treasury Department has already warned it will audit.

The loan forgiveness application allows businesses with payroll expenses to choose to have an alternative payroll covered period, which includes an eight-week (56-day) period beginning on the PPP loan disbursement day. This is the period of time the PPP funds are to be used.

If you have a biweekly or a more frequent payroll schedule, the alternative payroll covered period allows you to start your covered period, for payroll costs only, on the first day of your first pay period following PPP loan disbursement. This will be very helpful and convenient for most businesses, who have payroll. Borrowers who select the Alternative Payroll Covered Period are still required to use the standard Covered Period for other costs.

Cash compensation eligible for forgiveness for each individual employee cannot exceed an annual salary of \$100,000, as prorated for the covered period, so it cannot exceed \$15,385. Non-cash compensation payroll costs, including employer contributions for health insurance and employee retirement plans, do not appear to be subject to the prorated limit like cash compensation.

Payroll costs incurred, but not paid during the borrower's last pay period of the Covered Period (or Alternative Payroll Covered Period), are eligible for forgiveness if the borrower pays them by its next regular payroll date. Eligible non-payroll costs (mortgage interest, rent, utilities) also must be either paid or incurred during the covered period and paid on or before the next regular billing date, even if the billing date is after the covered period.

The SBA's Loan Forgiveness Application has very good and, clear instructions. A link to the application (including all four components mentioned above) can be found here:
<https://www.sba.gov/sites/default/files/2020-05/3245-0407%20SBA%20Form%203508%20PPP%20Forgiveness%20Application.pdf>

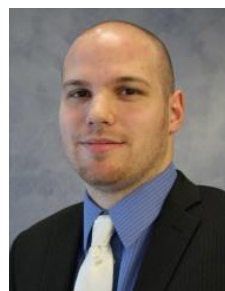
Please reach out to us if you have any additional questions. We are here to help!

CONTACT US

Zinner & Co. LLP, is here to help. If you have any questions or would like to talk to someone about ways you and/or your business can take advantage of these government support programs, please reach out to one of our Recovery Specialists:



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ABOUT ZINNER

In 1938, Harry Zinner had a vision for long term success. He founded a Cleveland-based bookkeeping firm that focused on integrity, commitment and a pledge to help individuals, not-for-profit organizations and closely-held companies grow and prosper, not just for today, but for decades to follow.

Today, Zinner & Co. provides tax, accounting and management advisory services to guide businesses from startup to succession planning and help individuals create a solid financial foundation.

Our Beachwood, Ohio office is home to a dedicated team of CPAs and management advisors that provide a full slate of services beyond traditional tax and accounting. Contact us to discover how we can help you achieve your greatest financial potential.

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